GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794 - 9255

Prepared by the
Accounting Division

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INTRODUCTORY SECTION

SRS STATE RETIREMENT SYSTEMS
- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255

November 30, 1995

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report of the General Assembly Retirement System (System) as of and for the fiscal year ended June 30, 1995 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The report consists of six sections:

1. An Introductory Section which contains this letter of transmittal and the identification of the administrative organization;

2. The Financial Section which contains the report of the independent public accountants, the financial statements of the System, and the supplementary financial information;

3. The Actuarial Section which contains the report of the Actuary as well as the summary of major actuarial assumptions and certain tables;

4. The Investment Section which contains a summary of the System's investment management approach and selected summary tables, including investment performance;

5. The Statistical Section which contains significant statistical data; and

6. A summary of the System's plan provisions and current legislative changes.

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the General Assembly Retirement System, State Employees' Retirement System and Judges' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include balance sheet information nor the results of operations of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY AND SERVICES PROVIDED

The General Assembly Retirement System (System) was established as a public employee retirement system (PERS) by state statute on July 8, 1947. The purpose of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials and their beneficiaries".

Responsibility for operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable state statute.

REVENUES

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These income sources totaled $6.642 million during the fiscal year ending June 30, 1995, which is approximately the same amount of revenue reported for fiscal year 1994, shown as follows:

	1995 (Millions)	1994 (Millions)	Increase/(Decrease) (Millions)	Increase/(Decrease) (Percentage)
Contributions:				
Participants	$1.175	$1.011	$ .164	16.2%
Employer	2.312	2.117	.195	9.2%
Investments	3.155	3.476	(.321)	(9.2)%
Total Revenue	$6.642	$6.604	$ .038	0.6%

The decrease in total investment income of $321.0 thousand was primarily due to a decrease in the net realized gains on sale of investments.

EXPENSES

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. These payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses of the System for 1995 and 1994 are shown below for comparison purposes.

	1995 (Millions)	1994 (Millions)	Increase/(Decrease) (Millions)	Increase/(Decrease) (Percentage)
Benefits:				
Retirement annuities	$5.203	$4.943	$ .260	5.3%
Survivors' annuities	1.337	1.189	.148	12.4%
Total Benefits Expenses	$6.540	$6.132	$ .408	6.7%
Refunds	.117	.042	.075	178.6%
Administrative expenses	.198	.194	.004	2.1%
Total Expenses	$6.855	$6.368	$ .487	7.6%

The increase in benefit payments resulted primarily from (1) a growth in the number of benefits paid, (2) an increase in the average benefit payment amount, and (3) post retirement annuity increases granted each year.

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes. For the fiscal year ended June 30, 1995, the total investment return on the market value of assets managed by the ISBI was 14.0% compared to 4.0% during the fiscal year ended June 30, 1994.

Total fiscal year 1995 investment income of $3.155 million represents a decrease of $321.0 thousand (9.2%) over the fiscal year 1994 level of $3.476 million. The System's total investments revenue for fiscal year 1995 and 1994 is shown for comparison purposes.

	1995 (Millions)	1994 (Millions)	Increase/(Decrease) (Millions)	(Percentage)
Net investments income	$2.090	$1.999	$ .091	4.6%
Net realized gain on sale of investments	.965	1.432	(.467)	(32.6)%
Interest earned on cash balances	.100	.045	.055	122.2%
Total Investments revenue	$3.155	$3.476	$ (.321)	(9.2)%

For the fiscal year ended June 30, 1995, income from investments represents 47.5% of total fund revenue.

A detailed discussion of investment performance and strategies are provided in the Investment Section of this report.

FUNDING AND RESERVES

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments.

The actuarial determined liability of the System at June 30, 1995, amounted to $119.4 million. The fund balances for participant contributions and future operations amounted to $40.7 million as of the same date. The amount by which the actuarial determined liability exceeds the fund balances is called the "unfunded present value of credited projected benefits." The unfunded present value of credited projected benefits amounts to $78.7 million and reflects the continuing state policy of appropriating funds at amounts less than the actuarially determined contribution requirement. A detailed discussion of funding is provided in the Actuarial Section of this report.

ECONOMIC CONDITION AND OUTLOOK

Financing the retirement benefits that are being earned is one of the most important issues facing the General Assembly Retirement System. Over the years, a number of individuals and organizations have stressed the need for sound funding of the state's retirement systems including the General Assembly Retirement System. Although previous attempts have been made at providing an adequate funding level to the System, none have been very successful since the State of Illinois, as well as many other units of state and local government across the nation, are experiencing times of limited revenue growth and increased demands for more government services.

In August, 1994, Governor Edgar signed Senate Bill 533 into law as Public Act 88-0593. This funding legislation, which becomes effective on July 1, 1995, (i.e. fiscal year 1996), provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%. In addition, the new funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

Most importantly, the new funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process. Although long-term in nature, we believe this legislation is an extremely positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the General Assembly Retirement System.

Besides the new funding plan, there were no other recent legislative changes having a significant impact on the funding of the System.

Assessing the financial status of any retirement system is a difficult task. The valuation of pension liabilities is a complex procedure requiring the application of actuarial techniques. It is not possible to provide a simple measure of the financial status of a retirement system because no universally accepted measure of the financial status presently exists. The passage of a new funding plan by the state's General Assembly should ensure that benefits, both those presently accrued and those that will be earned in the future, will continue to be provided for in a timely and consistent manner.

MAJOR INITIATIVES

During the past fiscal year, the System completed work on several major projects. Most significant was the offering of a new post-retirement program designed to assist annuitants and survivors to understand the benefits available to them plus assist them in the continued reassessment of the goals established prior to retirement. In addition, the participant handbook titled "Benefits - Your Rights and Responsibilities" was updated and mailed to the membership.

Projects for fiscal year 1996 include continuing to work towards the implementation of an automated benefit calculation system and the development of an expanded member statement to include the names(s) and amount(s) of service in other reciprocal system(s). Additionally, the System will continue to offer its increasingly popular field service program, including pre-retirement seminars, one-on-one counseling sessions, and post-retirement seminars.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The accrual basis of accounting is used to record the assets, liabilities, revenues and expenses of the General Assembly Retirement System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The General Assembly Retirement System also uses the State of Illinois, Comptroller's Uniform Statewide Accounting System (CUSAS) as a basis for the preparation of the financial statements. In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois. Tax consulting services are provided by the accounting firm of KPMG Peat Marwick, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen, LLP under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a one year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the General Assembly Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law. The System's investment function is managed by the Illinois State Board of Investment.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1994. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the last six consecutive years (fiscal years ended June 30, 1989 through June 30, 1994). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the participants in the State of Illinois. On behalf of the Board of Trustees we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division

REPRESENTATIVE
Lee A. Daniels
Chairman

REPRESENTATIVE
Philip W. Collins
Retired Annuitant Member

SENATOR
Laura Kent Donahue

SENATOR
Emil Jones, Jr.

REPRESENTATIVE
David R. Leitch

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REPRESENTATIVE
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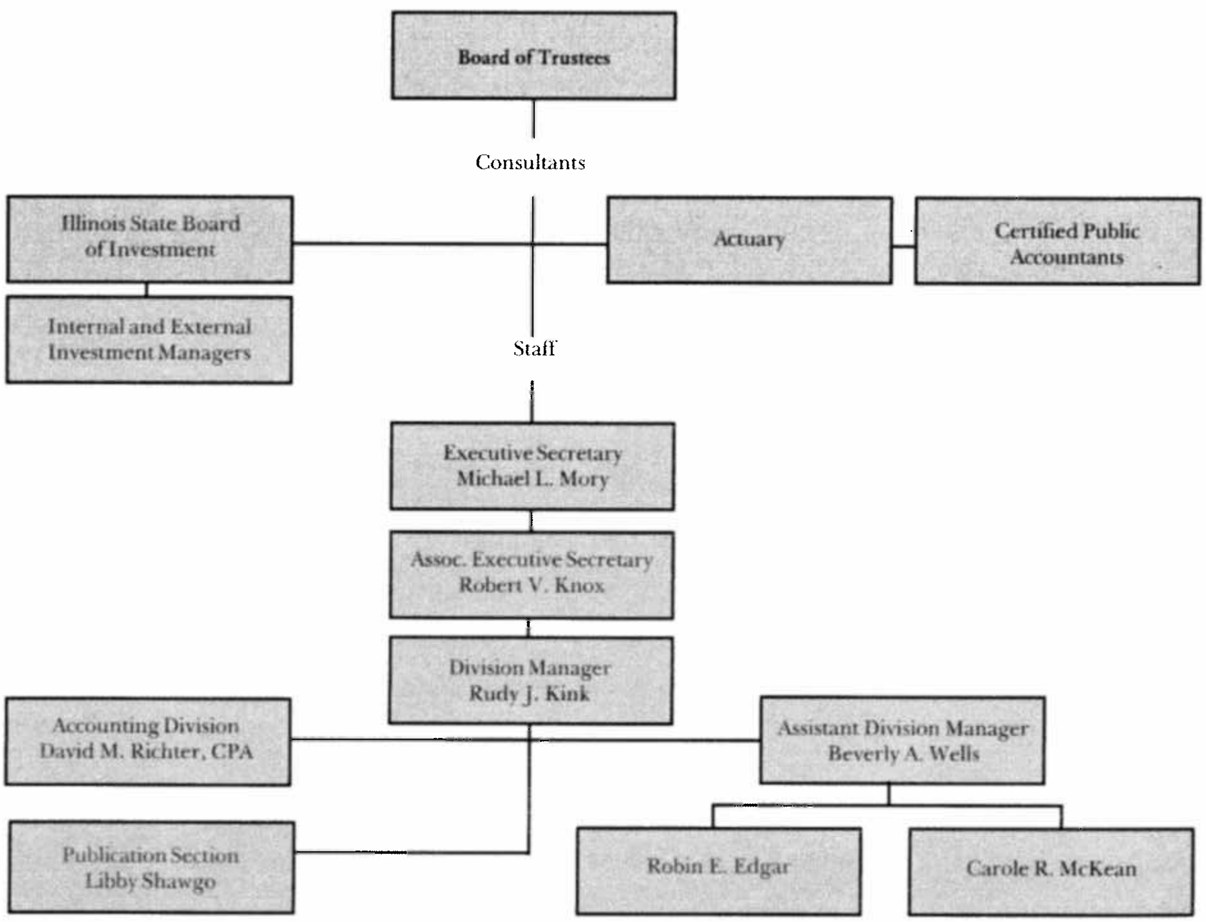

Certificate of Achievement for Excellence in Financial Reporting

Presented to

General Assembly Retirement System, State of Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1994

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

FINANCIAL SECTION

McGLADREY&PULLEN, LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
General Assembly Retirement System
Springfield, Illinois

As Special Assistant Auditors for the Illinois Auditor General, we have audited the accompanying financial statements, as listed in the table of contents, of the General Assembly Retirement System as of and for the years ended June 30, 1995 and 1994. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Assembly Retirement System as of June 30, 1995 and 1994, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 27, 1995 on our consideration of the General Assembly Retirement System of Illinois internal control structure and a report dated October 27, 1995 on its compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the basic financial statements as of and for the years ended June 30, 1995 and 1994, taken as a whole. The supplementary information, included on pages 24 through 26, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

McGladrey & Pullen, LLP

Springfield, Illinois
October 27, 1995

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Balance Sheets
June 30, 1995 and 1994

	1995	1994
Assets		
Cash	$ 1,693,213	$ 1,177,781
Receivables:		
Participants' contributions	$ 138	$ 279
Interest on cash balances	8,803	2,912
	$ 8,941	$ 3,191
Investments - held in the Illinois State Board of Investment Commingled Fund, at cost (Market value: 1995, $46,076,753; 1994, $43,993,168) (Note 3)	$ 39,081,113	$ 39,825,825
Equipment, net of accumulated depreciation (Note 8)	9,384	12,120
Total Assets	$ 40,792,651	$ 41,018,917
Liabilities and Fund Balance		
Liabilities		
Benefits payable	$ -	$ 670
Refunds payable	-	35,405
Administrative expenses payable (Note 9)	29,572	21,645
Due to Judges' Retirement System of Illinois	46,888	45,430
Participant deferred service credit accounts	18,589	5,200
Total Liabilities	$ 95,049	$ 108,350
Fund Balance		
Actuarial present value of credited projected benefits (Note 5)	$119,362,113	$110,719,958
Less unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(78,664,511)	(69,809,391)
Total Fund Balance (Note 10)	$ 40,697,602	$ 40,910,567
Total Liabilities and Fund Balance	$ 40,792,651	$ 41,018,917

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Revenue, Expenses and Changes in Fund Balance
Years ended June 30, 1995 and 1994

	1995	1994
Revenue:		
Contributions:		
Participants	$ 1,174,764	$ 1,011,354
Employer	2,312,014	2,116,800
Total Contributions revenue	$ 3,486,778	$ 3,128,154
Investments:		
Net investments income	$ 2,090,016	$ 1,999,664
Interest earned on cash balances	100,367	44,665
Net realized gain on sale of investments	965,272	1,431,974
Total Investments revenue	$ 3,155,655	$ 3,476,303
Total Revenue	$ 6,642,433	$ 6,604,457
Expenses:		
Benefits:		
Retirement annuities	$ 5,203,413	$ 4,942,821
Survivors' annuities	1,336,508	1,188,675
Total Benefits	$ 6,539,921	$ 6,131,496
Refunds	117,386	41,590
Administrative (Note 7)	198,091	194,494
Total Expenses	$ 6,855,398	$ 6,367,580
Excess/(Deficiency) of Revenue over/(under) Expenses	$ (212,965)	$ 236,877
Fund Balance at beginning of year	$40,910,567	$40,673,690
Fund Balance at end of year	$40,697,602	$40,910,567

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements
June 30, 1995 and 1994

(1) Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The General Assembly Retirement System (System) is administered by a Board of Trustees consisting of seven persons, which includes the President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives, and one person elected from the member annuitants.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

(2) Plan Description

The System is the administrator of a single-employer defined benefit public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

At June 30, 1995 and 1994, the System membership consisted of:

	1995	1994
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	219	222
Survivors' annuities	139	131
Reversionary annuities	3	3
	361	356
Inactive participants entitled to benefits but not yet receiving them	114	101
Total	475	457
Current Participants:		
Vested	103	114
Nonvested	79	70
Total	182	184

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System.

(a) Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

(b) Contributions

In accordance with Chapter 40 Section 5/2-126 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11.5% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
11.5%	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service. The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/2 of the Illinois Compiled Statutes.

(c) Benefits

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62. The General Assembly Retirement System also provides annual automatic annuity increases for retirees and survivors, survivors' annuity benefits, reversionary annuity benefits, and under specified conditions, lump sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the following formula based upon the participants' final rate of salary.

3.0% for each of the first 4 years of service, plus
3.5% for each of the next 2 years of service, plus
4.0% for each of the next 2 years of service, plus
4.5% for each of the next 4 years of service, plus
5.0% for each year of service in excess of 12 years

The maximum retirement annuity payable is 85% of the final rate of salary.

(3) Summary of Significant Accounting Policies and Plan Asset Matters

(a) Basis of Accounting

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting and in conformity with generally accepted accounting principles. Participant and employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Cash and Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. "Available cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement. Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The ISBI Board's master custodian is The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes and are maintained in the ISBI Commingled Fund. Such investments are valued at the cost of the System's units of participation in the ISBI Commingled Fund. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution. Investment income is recognized when earned.

The investment authority of the ISBI is provided in Chapter 40, Article 5/22A of the Illinois Compiled Statutes. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake.

The System owns approximately 1.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 1995.

ISBI investments, as categorized by ISBI are categorized to indicate the level of risk assumed by the ISBI Board at year end. Category I includes investments that are insured or registered or the securities are held by the master custodian in the ISBI Board's name. Category II includes investments that are uninsured and unregistered with the securities held by the counter-party's agent in the ISBI Board's name. Category III includes investments that are uninsured and unregistered with the securities held by the counter-party but not in the ISBI Board's name. Investments in pools managed by other governmental agencies, in general, are to be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 1995, the ISBI Board's investments were categorized as follows:

	Market Value	Category I	Non Categorized
U.S. Government & Agency Obligations	$ 415,308,202	$ 415,308,202	$
Foreign Obligations	28,386,547	28,386,547	
Corporate Obligations	803,749,741	803,749,741	
Convertible Bonds	22,463,690	21,518,623	945,067
Common Stock & Equity Funds	1,710,709,090	1,452,941,562	257,767,528
Convertible Preferred Stock	14,951,679	14,951,679	
Preferred Stock	12,162,908	12,162,908	
Foreign Equity Securities	392,566,681	340,745,152	51,821,529
Real Estate Funds	249,380,027		249,380,027
Nonmarketable Securities	223,541,441		223,541,441
Money Market Instruments	244,868,530	85,657,466	159,211,064
Forward Foreign Exchange Contracts	720,404	720,404	
Loaned Securities	593,757,823		593,757,823
Total Investments	$4,712,566,763	$3,176,142,284	$1,536,424,479

The ISBI Board participates in a securities lending program whereby securities are loaned to brokers and, in return, the ISBI Board receives collateral of amounts slightly in excess of the market value of securities loaned. Collateral consists solely of cash, letters of credit, commercial paper and government securities. As of June 30, 1995 and 1994, the ISBI Board had outstanding loaned investment securities having a market value of approximately $593,757,823 and $615,899,376, respectively, against which it had received collateral of approximately $610,008,509 and $636,696,687, respectively.

(c) Actuarial Experience Review

In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was performed as of June 30, 1992.

(d) Administrative Expenses

Expenses related to the administration of the System are budgeted and approved by the System's Board of Trustees. Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' Retirement System. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 1995 and 1994, were $167,928 and $158,367, respectively.

(4) Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of participant service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the General Assembly Retirement System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is the same as the actuarial funding method used to determine contributions to the System discussed in Note 5.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1995. Significant actuarial assumptions used include (a) rates of return on the investment of present and future assets of 8.0% per year (consisting of an inflation component of 4.5% per year and a real rate of return component of 3.5% per year), compounded annually, (b) projected salary increase of 6.5% per year (consisting of a general component of 5% per year, 4.5% of which is attributable to inflation, and a seniority/merit component of 1.5% per year), compounded annually, (c) mortality rates based on the UP-1984 Mortality Table, (d) assumed age at retirement ranging from 55 to 70, based upon recent history with the System, (e) 75% of participants are assumed to be married, (f) the age of the spouse is assumed to be 4 years younger than the age of the participant, and (g) termination rates based upon the recent experience of the System.

At June 30, 1995 and 1994, the unfunded pension benefit obligation was $78,664,511 and $69,809,391 as follows:

	1995	1994
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits, including inactive participants	$ 91,958,393	$ 82,026,719
Current Participants:		
Accumulated participant contributions	6,638,784	7,236,828
Employer-financed vested	11,841,513	12,467,800
Employer-financed nonvested	8,923,423	8,988,611
Total Pension benefit obligation	$119,362,113	$110,719,958
Net assets available for benefits, at cost (market value at June 30, 1995 $47,693,242; June 30, 1994 $45,077,910)	40,697,602	40,910,567
Unfunded pension benefit obligation	$ 78,664,511	$ 69,809,391

There were no benefit changes enacted during fiscal years 1995 or 1994 having a significant impact on the actuarial present value of credited projected benefits and the related unfunded liability.

(5) Contributions Required and Contributions Made

Public Act 86-0273, which was signed into law on August 23, 1989, enacted a funding policy under which, starting with fiscal year 1990, the employer contributions made by the State of Illinois were to be increased incrementally over a seven year period so that by fiscal year 1996, the minimum state employer contribution would be an amount that, when added to other sources of employer contributions, is sufficient to meet the normal cost and amortize the unfunded actuarial liability over forty years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method. The same actuarial assumptions were used to determine the contribution requirements as are used to compute the pension benefit obligation discussed in Note 4. For fiscal years prior to 1990, the required employer contributions were computed in accordance with the Board of Trustee's approved funding policy of normal cost plus interest on the unfunded actuarial liability. For fiscal years after 1989, required employer contributions have been actuarially determined in accordance with the funding policy legislated by Public Act 86-0273. The state, however, has never funded the System in accordance with the funding policy established by law.

It has been interpreted that the laws of the State of Illinois regarding state finance provide for the Governor and the state legislature to have specific authority to reduce or increase monies appropriated for the employer share of retirement contributions regardless of the amount certified by the Board of Trustees.

The total amount of actuarially determined contributions required for the fiscal year ended June 30, 1995 amounted to $4,313,000 and consisted of (a) $2,574,000 normal cost and (b) $1,739,000 amortization of the unfunded actuarial accrued liability. Contributions totaling $3,486,778 ($2,312,014 employer and $1,174,764 employee) were made during fiscal year 1995 and consisted of (a) $2,574,000 normal cost and (b) $912,778 amortization of the unfunded actuarial liability.

A comparison of the actuarially determined funding requirement for the fiscal year ended June 30, 1995, versus the actual funding, shows that the state's employer contributions were not made in accordance with the actuarially determined employer contribution requirements for the fiscal year.

	Pension Contributions			
	Required			Received
	Normal Cost	Amortization of Unfunded Liability	Total	
Participants	$ 1,009,000	$ -	$ 1,009,000	$ 1,174,764
Percent of Pay	11.50%	-	11.50%	13.39%
Employer:				
State of Illinois	1,565,000	1,739,000	3,304,000	2,148,200
Percent of Pay	17.84%	19.82%	37.66%	24.48%
Other Sources	-	-	-	163,814
Percent of Pay	-	-	-	1.87%
Total	$ 2,574,000	$1,739,000	$ 4,313,000	$ 3,486,778
Percent of Pay	29.34%	19.82%	49.16%	39.74%
Participant Payroll	$ 8,774,000			

In August 1994, Governor Edgar signed Senate Bill 533 into law as Public Act 88-0593. This funding legislation, which becomes effective on July 1, 1995, provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%. In addition, the new funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

(6) Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 24-25.

(7) Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal years 1995 and 1994 is as follows:

	1995	1994
Personal services	$108,899	$105,588
Employee retirement contributions paid by employer	4,129	4,228
Employer retirement contributions	6,761	5,887
Social Security contributions	7,510	7,244
Group insurance	13,580	10,968
Contractual services	37,234	38,661
Travel	1,449	2,549
Printing	3,368	3,319
Commodities	278	288
Telecommunications	1,055	804
Electronic Data Processing	7,317	7,369
Depreciation	4,708	5,256
Other	1,803	2,333
Total	$198,091	$194,494

(8) Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, and (3) certain electronic data processing equipment - 3 years.

A summary of the changes in fixed assets for fiscal years 1995 and 1994 is as follows:

	1995			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$26,764	$ 2,094	$ (233)	$28,625
Accumulated Depreciation	(14,644)	(4,708)	111	(19,241)
Equipment, net	$12,120	$ (2,614)	$ (122)	$ 9,384

	1994			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$26,572	$ 192	$ -	$26,764
Accumulated Depreciation	(9,388)	(5,256)	-	(14,644)
Equipment, net	$17,184	$ (5,064)	$ -	$12,120

(9) Accrued Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after January 1, 1984 upon termination of employment. These accrued compensated absences as of June 30, 1995 and 1994 total $17,624 and $15,944 respectively and are included as administrative expenses payable.

(10) Analysis of Changes in Fund Balances

The funded statutory reserves of the General Assembly Retirement System are composed of two components as follows:

(a) Reserve for Participants' Contributions -
This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

(b) Reserve for Future Operations -
This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS
Statements of Changes in Fund Balances
Years ended June 30, 1995 and 1994

	Participants' Contributions	Future Operations	Total Fund Balance
Balance at June 30, 1993	$ 10,263,855	$30,409,835	$ 40,673,690
Add (deduct):			
Excess/(Deficiency) of revenue over/(under) expenses	1,004,628	(767,751)	236,877
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(534,029)	534,029	-
Balance at June 30, 1994	$ 10,734,454	$30,176,113	$ 40,910,567
Add (deduct):			
Excess/(Deficiency) of revenue over/(under) expenses	1,221,192	(1,434,157)	(212,965)
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(896,070)	896,070	-
Balance at June 30, 1995	$ 11,059,576	$29,638,026	$ 40,697,602

(11) Pension Disclosure

All of the System's full-time employees who are not eligible for another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS). The SERS is a single-employer defined benefit public employee retirement system (PERS) in which state agencies, including the System, participate on a cost-sharing basis.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, is included as an integral part of the SERS Comprehensive Annual Financial Report (CAFR). Also included is a discussion of employer and employee obligations to contribute, the authority under which those obligations are established, as well as an explanation of the pension benefit obligation.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits.

The pension benefit obligation at June 30, 1995 and June 30, 1994 for the SERS as a whole, determined through an actuarial valuation at that date was $6.988 billion and $6.502 billion, respectively. The SERS net assets available for benefits on these respective dates (valued at cost) were $3.923 billion and $3.722 billion, leaving unfunded pension benefit obligations of $3.065 billion and $2.780 billion. The System's FY1995 and FY1994 contribution requirement represented .004% and .004%, respectively of total contributions required of all state agency/department employers participating in the SERS.

Ten-year historical trend information designed to provide information about the SERS progress made in accumulating sufficient assets to pay benefits when due is presented in its separately issued CAFR for the year ended June 30, 1995.

Pertinent financial information relating to the System's participation in SERS is summarized as follows:

The System's covered payrolls for FY1995 and FY1994 were $108.9 thousand and $105.6 thousand and the payrolls for all System employees were $108.9 thousand and $105.6 thousand, respectively.

The System's (i.e., the employers') actuarially determined contribution requirements for FY1995 and FY1994 were $6.8 thousand and $5.9 thousand, respectively, or 6.2% and 5.6% of the System's covered payrolls. For FY1995, the System's and employee contributions actually made were $6.8 thousand and $4.1 thousand, respectively, which represents 6.2% and 3.8%, respectively, of the current year covered payroll. For FY1994, the System's and employee contributions actually made were $5.9 thousand and $4.2 thousand, respectively, which represents 5.6% and 4.0%, respectively, of the covered payroll.

In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the System. Substantially all state employees including the System's employees may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 or older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 1995. However, post-employment costs for the state as a whole for all state agencies/departments for health, dental and life insurance for annuitants and their dependents are disclosed in the Illinois Comprehensive Annual Financial Report for the state. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis. The System is not the administrator of any of the other post-employment benefits described above.

(12) Future Reporting Requirements

In November, 1994, The Governmental Accounting Standards Board adopted Statement No. 25 (Statement) entitled "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans". The Statement requires that the investments of defined benefit pension plans be reported at their fair (market) value rather than at cost, or amortized cost, as currently required. In addition, the Statement establishes new financial reporting standards which will result in format changes to the financial statements as well as the required supplementary information and may also affect the actuarially determined contribution requirements.

The requirements of the Statement are effective for periods beginning after June 15, 1996 (i.e. fiscal year ending June 30, 1997), with earlier implementation encouraged but not required. If comparative financial statements are presented, restatement of the prior year financial statements is required.

The System intends to adopt the Statement beginning with its fiscal year ending June 30, 1997.

Analysis of Funding Progress

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation**	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a % of Covered Payroll (4) ÷ (5)
1987	$29,140,876	$60,635,325	48.1%	$31,494,449	$6,643,710	474.0%
1988	30,106,386	64,160,481	46.9%	34,054,095	6,873,250	495.5%
1989	31,677,506	62,834,957	50.4%	31,157,451	6,907,676	451.1%
1990	33,442,677	78,623,637	42.5%	45,180,960	7,254,510	622.8%
1991	35,142,093	84,468,429	41.6%	49,326,336	8,238,709	598.7%
1992	37,618,218	88,537,329	42.5%	50,919,111	8,432,000	603.9%
1993	40,673,690	102,500,733	39.7%	61,827,043	8,651,000	714.7%
1994	40,910,567	110,719,958	36.9%	69,809,391	8,597,000	812.0%
1995	40,697,602	119,362,113	34.1%	78,664,511	8,774,000	896.6%

* At cost

** The pension benefit obligation information is not available for fiscal years prior to 1987.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the public employees' retirement system (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Revenues by Source and Expenses by Type

Revenues by Source

Fiscal Year Ended June 30	Participants' Contributions	Employer Contributions: State of Illinois	Employer Contributions: Other Sources	Employer Contributions: Total	Income from Investments	Total
1986	$1,059,024	$2,216,200	$125,212	$2,341,412	$3,416,960	$6,817,396
1987	767,483	2,214,100	213	2,214,313	3,064,668	6,046,464
1988	796,393	1,970,000	-	1,970,000	1,933,098	4,699,491
1989	869,635	1,997,500	-	1,997,500	2,555,317	5,422,452
1990	1,002,258	2,072,600	74,401	2,147,001	2,665,883	5,815,142
1991	1,486,815	2,072,600	275,161	2,347,761	2,170,740	6,005,316
1992	1,375,885	1,965,600	105,410	2,071,010	3,976,419	7,423,314
1993	2,498,833	2,201,000	510,285	2,711,285	3,517,628	8,727,746
1994	1,011,354	2,116,800	-	2,116,800	3,476,303	6,604,457
1995	1,174,764	2,148,200	163,814	2,312,014	3,155,655	6,642,433

Expenses by Type

Fiscal Year Ended June 30	Benefits	Refunds	Administrative Expenses	Total
1986	$ 3,200,212	$ 42,316	$ 86,763	$3,329,291
1987	3,461,212	80,202	103,150	3,644,564
1988	3,618,087	16,717	99,177	3,733,981
1989	3,682,411	55,660	113,261	3,851,332
1990	3,880,692	42,427	126,852	4,049,971
1991	4,124,250	36,742	144,908	4,305,900
1992	4,658,134	129,978	159,077	4,947,189
1993	5,314,381	154,283	203,610	5,672,274
1994	6,131,496	41,590	194,494	6,367,580
1995	6,539,921	117,386	198,091	6,855,398

Analysis of Employer Contributions - Fiscal Year 1988 through 1995

Fiscal Year (A)	(1) Covered Payroll	(2) State of Illinois Employer Contributions Required (B)	(3) State of Illinois Employer Contributions Required as a % of Covered Payroll (2) ÷ (1)	(4) State of Illinois Employer Contributions Received	(5) State of Illinois Employer Contributions Received as a % of Covered Payroll (4) ÷ (1)	(6) Contributions Required in Excess of Contributions Received (2) - (4)
1988	$ 6,873,250	$ 3,273,090	47.6%	$ 1,970,000	28.7%	$ 1,303,090
1989	6,907,676	3,514,623	50.9%	1,997,500	28.9%	1,517,123
1990	7,254,510	2,376,310	32.8%	2,072,600	28.6%	303,710
1991	8,238,709	2,428,771	29.5%	2,072,600	25.2%	356,171
1992	8,432,000	2,475,000	29.4%	1,965,600	23.3%	509,400
1993	8,651,000	2,522,000	29.2%	2,201,000	25.4%	321,000
1994	8,597,000	2,864,000	33.3%	2,116,800	24.6%	747,200
1995	8,774,000	3,304,000	37.7%	2,148,200	24.5%	1,155,800

(A) = Prior to fiscal year 1988, the Actuary did not determine an "Employer Contribution Required" amount.

(B) = For fiscal year 1988 and 1989, the State of Illinois required employer contributions were computed in accordance with the Board of Trustee's approved funding policy of normal cost plus interest on the unfunded actuarial liability. For fiscal years after 1989, required employer contributions have been computed in accordance with Public Act 86-0273 which was signed into law on August 23, 1989. Public Act 86-0273 enacted a funding plan under which, starting with fiscal year 1990, the state's contribution shall be increased incrementally over a seven year period so that by fiscal year 1996, the minimum state contribution shall be an amount that is sufficient to meet the normal cost and amortize the unfunded actuarial liability over forty years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

Schedule of Employer Contributions as a Percentage of Covered Payroll

Fiscal Year	Covered Payroll	State of Illinois Employer Contributions Received	State of Illinois Employer Contributions Received as a % of Covered Payroll
1986	$ 6,480,500	$ 2,216,200	34.2%
1987	6,643,710	2,214,100	33.3%
1988	6,873,250	1,970,000	28.7%
1989	6,907,676	1,997,500	28.9%
1990	7,254,510	2,072,600	28.6%
1991	8,238,709	2,072,600	25.2%
1992	8,432,000	1,965,600	23.3%
1993	8,651,000	2,201,000	25.4%
1994	8,597,000	2,116,800	24.6%
1995	8,774,000	2,148,200	24.5%

SUMMARY OF REVENUES BY SOURCE
Years Ended June 30, 1995 and 1994

	1995	1994
Contributions:		
Participants	$1,124,027	$1,002,306
Interest paid by participants	50,300	9,048
Transferred from reciprocating systems	437	-
Total participants contributions	$1,174,764	$1,011,354
General Revenue Fund	$1,911,800	$1,911,800
State Pension Fund	236,400	205,000
Paid by reciprocating systems	98,307	-
Paid by participants	65,507	-
Total employer contributions	$2,312,014	$2,116,800
Total Contributions revenue	$3,486,778	$3,128,154
Investments:		
Net investments income	$2,090,016	$1,999,664
Interest earned on cash balances	100,367	44,665
Net realized gain on sale of investments	965,272	1,431,974
Total Investments revenue	$3,155,655	$3,476,303
Total Revenue	$6,642,433	$6,604,457

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended June 30, 1995 and 1994

	1995	1994
Cash balance, beginning of year	$1,177,781	$2,159,819
Receipts:		
Participant contributions	$1,171,693	$1,011,287
Employer contributions:		
General Revenue Fund	1,911,800	2,389,750
State Pension Fund	236,400	205,000
Paid by reciprocating systems	61,073	-
Paid by participants	98,307	-
Interest income on cash balances	94,476	47,975
Participants' deferred service credit payments	1,118	4,800
Cancellation of annuities	21,035	5,830
Cancellation of refunds	-	154
Transfers from Illinois State Board of Investment	3,800,000	1,700,000
Miscellaneous	-	6
Total cash receipts	$7,395,902	$5,364,802
Disbursements:		
Benefit payments:		
Retirement annuities	$5,203,956	$4,945,056
Survivors' annuities	1,337,753	1,192,507
Refunds	152,791	16,312
Administrative expenses	185,970	192,965
Total cash disbursements	$6,880,470	$6,346,840
Cash balance, end of year	$1,693,213	$1,177,781

ACTUARIAL SECTION

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

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October 13, 1995

Board of Trustees and Executive Secretary
General Assembly Retirement System, State of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

ACTUARIAL CERTIFICATION

I have completed the annual actuarial valuation of the General Assembly Retirement System as of June 30, 1995. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

Since the last actuarial valuation, the following changes have been made in the benefit provisions of the system: (1) the maximum salary level that can be used to compute benefits payable under the provisions of the Reciprocal Act is limited to the legislative salary payable at retirement based on the position held at the time the member left the General Assembly, but only for persons who become members of the system after August 22, 1994; and (2) the number of years of service required for an inactive participant's spouse to qualify for a survivor's annuity is reduced from eight years to four years. These changes did not have an impact on the results of the June 30, 1995 actuarial valuation.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five years and recommend, as a result of such investigation, the actuarial assumptions to be adopted. As the actuary, I performed such an experience analysis for the five-year period 1987-1992. Based on this experience analysis, I recommended actuarial assumptions which were adopted by the system's board effective June 30, 1992 and which were used for the current valuation. I believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

Senate Bill 533, which was signed into law on August 22, 1994 as Public Act 88-0593, enacted a new funding plan for the system. The financing objective under this plan is to have the required State contributions sufficient to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. For fiscal years 2011 through 2045, the required State contributions are to be a level percentage of payroll. For fiscal years 1996 through 2010, the State contribution shall be increased as a percentage of the applicable payroll in equal annual increments so that by fiscal year 2011, the State is contributing at the required rate.

Based on the June 30, 1995 actuarial valuation, I have determined the required State contribution under this funding plan for fiscal year 1997. I have also estimated the required State contributions for future years.

The asset values used for the valuation were based on the audited asset information reported by the system. For purposes of the valuation, the book value of the assets of the system (assets valued at cost), less the amount of liabilities, was used. The actuarial liabilities have been valued on the basis of membership data which is supplied by the administrative staff of the system and verified by the system's auditors. I have made additional tests to ensure its accuracy.

In my opinion, the following schedule of valuation results fairly presents the financial condition of the General Assembly Retirement System as of June 30, 1995. The contribution rates determined are in compliance with the provisions of the funding plan enacted under Public Act 88-0593.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 93-3402

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount required to be paid to the System by the State during the succeeding fiscal year. The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements, pursuant to Chapter 40, Section 5/2-146 of the Illinois Compiled Statutes.

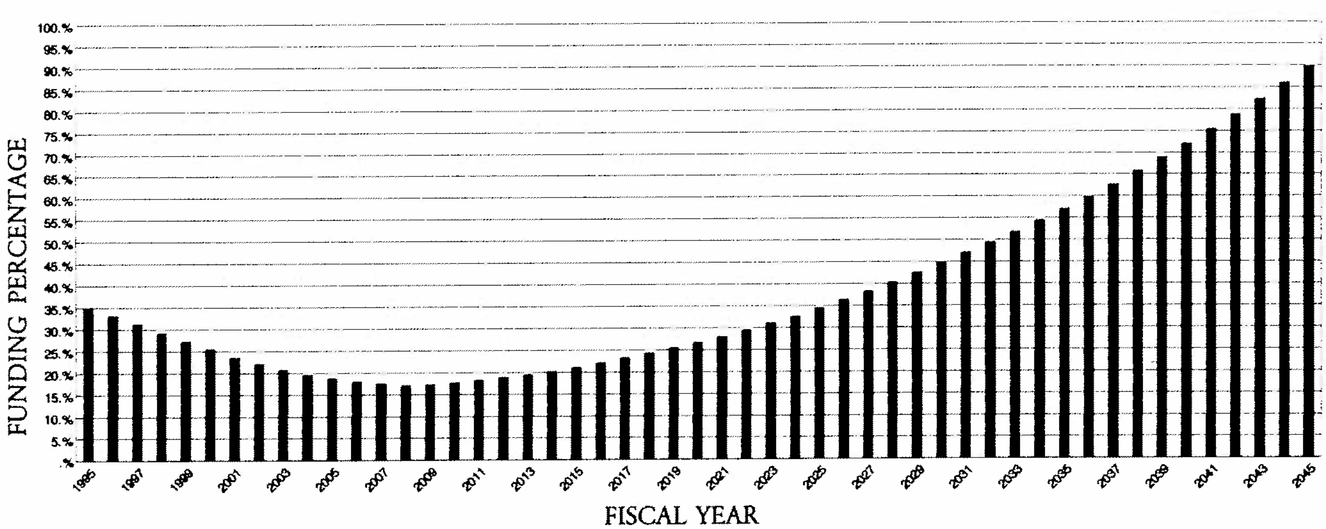
Based upon the state's actual funding method, the System, in recent years, has not received the minimum actuarially determined employer contribution amount.

In August 1994, Governor Edgar signed Senate Bill 533 into law as Public Act 88-0593. This funding legislation, which becomes effective on July 1, 1995, provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%. In addition, the new funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

Most importantly, the new funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process.

Although long-term in nature, we believe that this legislation is an extremely positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the General Assembly Retirement System.

The System's actuary has projected valuation results for a 50 year period commencing with fiscal year 1996. The projection was based on the results of the June 30, 1995 actuarial valuation and the same actuarial assumptions as were used for the valuation. The required employer contributions to the System were calculated in accordance with the contribution requirements in the funding plan established under Public Act 88-0593. Displayed below is a graph of the System's projected funded status over the next 50 years which shows the 90% funding level being achieved in fiscal year 2045.



ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit cost method. Under this method, the actuarial liability is the actuarial present value of that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement. Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized over a 40 year period as a level percentage of payroll.

A description of the actuarial assumptions utilized for fiscal year 1995 and fiscal year 1994 follows:

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 1992.

Mortality Rates: The UP-1984 Mortality Table was used for the valuation.

Termination Rates: Termination rates based on the recent experience of the System were used. The following termination rates were used:

Age	Rate of Termination
20-54	.060
55 and over	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used. The following is a sample of the disability rates that were used for the valuation:

Age	Rate of Disability	Age	Rate of Disability
30	.00057	45	.00115
35	.00064	50	.00170
40	.00083	55	.00000

Retirement Rates: Rates of retirement for each age from 55 to 70 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement	Age	Rate of Retirement
55	.14	65	.04
60	.04	70	1.00

The above retirement rates are equivalent to an average retirement age of approximately 63.

Salary Increase: A salary increase assumption of 6.5% per year (consisting of a general increase component of 5% per year, 4.5% of which is attributable to inflation, and a seniority/merit component of 1.5% per year), compounded annually, was used. In determining total covered payroll, the size of the active group is assumed to remain constant.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.5% per year and a real rate of return component of 3.5% per year), compounded annually, was used.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

Spouse's Age: The age of the spouse was assumed to be 4 years younger than the age of the participant.

VALUATION RESULTS

Actuarial Liability (Reserves)	June 30, 1995	June 30, 1994
For Active Participants:		
Basic retirement annuity	$ 14,550,700	$ 15,021,147
Annual increase in retirement annuity	3,909,226	4,006,143
Pre-retirement survivors' annuity	2,277,629	2,308,972
Post-retirement survivors' annuity	2,443,163	2,604,143
Withdrawal benefits	4,056,154	4,563,906
Disability benefits	166,848	188,928
Total	$ 27,403,720	$ 28,693,239
For Participants Receiving Benefits:		
Retirement annuities	$ 59,356,378	$ 55,515,167
Survivor annuities	11,276,919	10,072,803
Total	$ 70,633,297	$ 65,587,970
For Inactive Participants	$ 21,325,096	$ 16,438,749
Total Actuarial Liability	$119,362,113	$110,719,958
Net Assets, Book Value (Cost)	40,697,602	40,910,567
Unfunded Actuarial Liability	$ 78,664,511	$ 69,809,391

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

	Aggregate Accrued Liabilities For				Percentage of Accrued Liabilities Covered By Net Real Assets		
Fiscal Year	(1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Net Real Assets	(1)	(2)	(3)
1986	$ 5,373,363	$30,829,965	$30,247,333	$26,738,976	100.0%	69.3%	0.0%
1987	6,414,817	36,673,471	17,547,037	29,140,876	100.0%	62.0%	0.0%
1988	6,861,195	37,155,381	20,143,905	30,106,386	100.0%	62.6%	0.0%
1989	7,208,932	34,062,464	21,563,561	31,677,506	100.0%	71.8%	0.0%
1990	8,237,231	41,411,576	28,974,830	33,442,677	100.0%	60.9%	0.0%
1991	8,959,880	44,998,342	30,510,207	35,142,093	100.0%	58.2%	0.0%
1992	10,098,012	48,987,293	29,452,024	37,618,218	100.0%	56.2%	0.0%
1993	10,263,855	62,875,015	29,361,863	40,673,690	100.0%	48.4%	0.0%
1994	10,734,454	65,587,970	34,397,534	40,910,567	100.0%	46.0%	0.0%
1995	11,059,576	70,633,297	37,669,240	40,697,602	100.0%	42.0%	0.0%

SUMMARY OF ACCRUED AND UNFUNDED ACCRUED LIABILITIES (Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Net Assets	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1986	$ 66,450,661	$26,738,976	40.2%	$39,711,685	$6,480,500	612.8%
1987	60,635,325	29,140,876	48.1%	31,494,449	6,643,710	474.0%
1988	64,160,481	30,106,386	46.9%	34,054,095	6,873,250	495.5%
1989	62,834,957	31,677,506	50.4%	31,157,451	6,907,676	451.1%
1990	78,623,637	33,442,677	42.5%	45,180,960	7,254,510	622.8%
1991	84,468,429	35,142,093	41.6%	49,326,336	8,238,709	598.7%
1992	88,537,329	37,618,218	42.5%	50,919,111	8,432,000	603.9%
1993	102,500,733	40,673,690	39.7%	61,827,043	8,651,000	714.7%
1994	110,719,958	40,910,567	36.9%	69,809,391	8,597,000	812.0%
1995	119,362,113	40,697,602	34.1%	78,664,511	8,774,000	896.6%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

		FY 95	FY 94
Unfunded actuarial liability at Beginning of FY		$69,809,391	$61,827,043
Employer contribution requirement of normal cost plus interest on the unfunded liability		$ 6,928,757	$ 6,249,778
Actual employer contribution for the year		2,312,014	2,116,800
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability		$ 4,616,743	$ 4,132,978
(Decrease) in unfunded liability due to investment return greater than assumed		-	(351,985)
Increase in unfunded liability due to change in method used to calculate actuarial liability for inactive members	+	-	4,357,401
Increase/(Decrease) in unfunded liability due to salary increases greater/(less) than assumed		938,958	(1,163,218)
Increase in unfunded liability due to other sources		3,299,419	1,007,172
Total Actuarial (Gains) Losses		$ 4,238,377	$ 3,849,370
Net Increase in unfunded liability for the year	=	$ 8,855,120	$ 7,982,348
Unfunded actuarial liability at End of FY		$78,664,511	$69,809,391

SCHEDULE OF RETIRANTS AND SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuitants Beginning	Annuitants Additions	Annuitants Deletions	Annuitants Ending	Survivors* Beginning	Survivors* Additions	Survivors* Deletions	Survivors* Ending	Total
1986	198	9	8	199	119	6	2	123	322
1987	199	17	10	206	123	6	3	126	332
1988	206	5	13	198	126	6	6	126	324
1989	198	6	5	199	126	4	4	126	325
1990	199	3	6	196	126	3	5	124	320
1991	196	13	9	200	124	4	3	125	325
1992	200	12	8	204	125	13	7	131	335
1993	204	33	7	230	131	6	6	131	361
1994	230	5	13	222	131	11	8	134	356
1995	222	11	14	219	134	14	6	142	361

*Includes Reversionary annuities

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1986	192	$6,480,500	$ 33,753	7.2%
1987	188	6,643,710	35,339	4.7%
1988	185	6,873,250	37,153	5.1%
1989	184	6,907,676	37,542	1.0%
1990	188	7,254,510	38,588	2.8%
1991	195	8,238,709	42,250	9.5%
1992	190	8,432,000	44,379	5.0%
1993	186	8,651,000	46,511	4.8%
1994	184	8,597,000	46,723	0.5%
1995	182	8,774,000	48,209	3.2%

INVESTMENT SECTION

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI Board). The ISBI Board was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state. In addition to the assets of the General Assembly Retirement System, the ISBI Board also manages the investment function for the State Employees' and Judges' Retirement Systems. As of June 30, 1995, total net assets under management valued at market, amounted to $4.791 billion. Of the total market value of assets under management, $46.1 million or 1.0% represented assets of the General Assembly Retirement System.

Management Approach

The ISBI Board manages the Fund in accordance with the "prudent person rule" as adopted by the Illinois General Assembly in 1982. The ISBI Board has established a long-range investment policy which, in line with the prudent person rule, affirms that the Fund's objective is to provide the greatest possible long-term benefits through maximization of the total return of the Fund, within prudent risk parameters. Further, it is the ISBI Board's philosophy that the assets owned by the participating systems and managed by the ISBI Board are held for the exclusive purpose of providing benefits to the participants and annuitants of the respective retirement systems and their beneficiaries. In line with this philosophy, the ISBI Board from time to time evaluates its asset allocation which is considered by many to be the single most important factor in pension investment management. The three major asset classes are: bonds, equities and cash; with smaller positions being allocated to real estate, venture capital and other alternative investments.

Total Fund Results

The Illinois State Board of Investment Commingled Fund, (ISBI Fund), which consists of the net investment assets of the General Assembly Retirement System, the Judges' Retirement System of Illinois and the State Employees' Retirement System of Illinois totaled nearly $4.8 billion at market value at the end of its fiscal year, June 30, 1995. This represented an increase in market value of $486 million. However, the investment appreciation was larger, in that the increase was net of withdrawals by the Systems to pay benefits in the amount of $112 million.

Led by U.S. stocks, capital markets posted impressive gains during fiscal 1995. U.S. stocks and bonds achieved double digit returns for the period. A good environment for initial public offerings (IPO's) also led to strong returns for many private equity partnerships. International equities, hurt by a struggling Japanese economy and volatile Latin American and Pacific rim markets, had negative returns in the local markets. Because the dollar declined in value against most currencies for the twelve month period, foreign equity returns were slightly positive in U.S. dollars. Real estate, after many years of declining values, showed some stabilization during fiscal 1995.

The ISBI Fund earned a total rate of return for fiscal 1995, net expenses, of 14.0%, well ahead of its long-term objectives of earning 4.5% above the inflation rate and of achieving the 8.0% assumed actuarial interest rate. However, the ISBI Fund's return lagged the return of the policy-weighted benchmark of market indices. During fiscal 1995, U.S. stock market returns were disproportionately driven by technology and financial issues, and the ISBI Fund's more diversified portfolio did not fully participate. In general, the ISBI Fund's portfolio is structured to outperform the broad average during down periods. In strong bull markets such as fiscal 1995, the ISBI Fund expects to achieve strong absolute returns but may modestly lag the index return.

Over longer time periods, the ISBI Fund is comfortably ahead of its investment objectives. The average annual returns for the three and five year periods ended June 30, 1995, were 9.9% and 9.8%, respectively. Over the 13-year period since the adoption of the prudent man legislation, the ISBI Fund has produced a compounded annual rate of return, net of expenses and charges, of 12.4%, its net assets have increased by $3.7 billion.

Domestic Equities

For the twelve months ended June 30, 1995, U.S. equity markets soared, particularly during the last six months. The S&P 500 Index increased 26.1%, and the BARRA All-U.S. Index, a broader representation of the domestic market, rose 24.9% Small capitalization stocks, as measured by the Russell 2000 Index, grew at a slightly smaller rate of 20.1%. Within that context, the ISBI Fund's domestic equity portfolio, which is all managed by external investment firms, earned a return of 21.5%. For fiscal 1995, the ISBI Fund's tilt towards "value" investment strategies, versus "growth" strategies, caused it to lag the market indices. The biggest winners for the period were technology and financial issues, and while the ISBI Fund had exposure to these sectors, it was not to the same degree as within the market benchmarks.

The ISBI Fund's domestic stock portfolio has outperformed the S&P 500 Index for both the three and five year periods ended June 30, 1995.

The composite average annual rates of return for the domestic equity portfolio:

	1 Year	3 Years	5 Years
ISBI	21.5%	13.4%	13.1%
S&P 500	26.1	13.2	12.1

Global/International Equities

Unlike the U.S. market, overseas equity markets experienced weak and in many cases negative returns during fiscal 1995. Because of a weakening dollar, aggregate returns were modestly positive when converted into U.S. dollar terms. Markets were particularly volatile in Japan and in emerging markets in the Pacific Rim and Latin America, which combined with lackluster returns in Europe resulted in a 2.0% return for the Morgan Stanley Europe Australia Far East Index ("MSCI EAFE"). The Morgan Stanley World Index ("MSCI World"), which includes the U.S. market, increased 11.2%.

All foreign security accounts are managed by external investment firms. "Global" managers have the discretion to invest in both domestic as well as foreign securities, while "international" managers are limited to non-U.S. securities; thereby assuring a certain amount of diversification. For the fiscal year the ISBI Fund's global managers underperformed the MSCI World index, earning 8.8%. The ISBI Fund's international portfolio outperformed its benchmark, increasing 4.5%, compared to 2.0% for the EAFE Index.

Fixed Income

During the first six months of fiscal 1995, U.S. fixed income markets were negatively impacted by inflation fears and rising interest rates. However, during the second half of the year, these fears abated and the markets more than recovered. The Lehman Aggregate Bond Index earned 12.6% for the 12-month period, while high yield bonds, as represented by the Merrill Lynch High Yield Index, earned 14.9% for the fiscal year.

Substantially all fixed income assets are managed internally, except approximately $230 million allocated to external high yield bond managers. The internal account modestly underperformed the Lehman Aggregate Bond index, with a return of 12.1%. Slightly lower return from the external high yield managers resulted in a total fixed income return of 11.9%.

Comparative average annual rates of return for the total fixed income portfolio versus the market index benchmark:

	1 Year	3 Years	5 Years
ISBI	11.9%	9.6%	11.3%
Shearson Lehman Aggregate	12.6	7.5	9.4

Real Estate

All of the ISBI Fund's investments in real estate are passive and are represented by interests in limited partnerships, trusts, and other forms of pooled investments.

Real estate values stabilized during fiscal 1995, and investments owned by the ISBI Fund's portfolio earned an income return of 7.2%. However, isolated write-offs led to an only modestly positive total return for real estate investments of 0.8%. The ISBI Board believes that the portfolio is now well positioned for steady performance going forward.

Average annual rates of return for the combined real estate portfolio compared to the market benchmark for unleveraged institutional grade property returns:

	1 Year	3 Years	5 Years
ISBI	0.8%	(4.9)%	(5.8)%
NCRIEF	7.1	1.6	(0.3)

Nonmarketable Equity Interests

The nonmarketable equity securities portfolio consists of passive interests in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities. The portfolio's largest investment is with the Kohlberg Kravis Roberts (KKR) leveraged buyout limited partnership, which accounts for just over 80% of this category. Fiscal 1995 was a good year for this category. A strong initial public offering (IPO) market allowed a number of portfolio companies to gain access to the auction markets, thereby producing liquidity and/or actual cash returns to the ISBI Fund. In addition, a number of publicly traded companies in the KKR portfolio, such as Duracell and Safeway, posted strong gains. Overall, the category earned 21.1% for the fiscal year.

	1 Year	3 Years	5 Years
ISBI	21.1%	12.6%	13.4%

Management Expenses

Total operating expenses, primarily fees to external managers, for the fiscal year were $13,859,829, compared to $12,167,419 for the previous fiscal year. The expense ratio (expenses divided by average net assets under management) was .31% in fiscal 1995, compared to .28% in fiscal 1994.

Additional Information

For additional information regarding the System's investment function, please refer to the Annual Report of the Illinois State Board of Investment, June 30, 1995. A copy of the report can be obtained from the ISBI Board at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 1995			
	Cost	Percentage	Market Value	Percentage
Fixed Income[1]	$1,631,919,678	39.4%	$1,706,080,032	35.6%
Equities	1,393,118,587	33.6	1,839,365,276	38.4
Foreign Equities	382,488,822	9.2	434,791,884	9.1
Real Estate	254,994,362	6.2	249,380,026	5.2
Non-Marketable[2]	141,814,677	3.4	223,541,441	4.7
Cash equivalents[3]	337,390,954	8.2	338,111,358	7.0
	$4,141,727,080	100.0%	$4,791,270,017	100.0%

	June 30, 1994			
	Cost	Percentage	Market Value	Percentage
Fixed Income[1]	$1,574,241,438	39.9%	$1,589,684,684	36.9%
Equities	1,343,330,244	34.0	1,612,915,598	37.5
Foreign Equities	302,255,913	7.7	359,170,019	8.4
Real Estate	320,662,506	8.2	281,508,859	6.5
Non-Marketable[2]	130,961,226	3.3	190,016,101	4.4
Cash equivalents[3]	273,796,167	6.9	272,059,511	6.3
	$3,945,247,494	100.0%	$4,305,354,772	100.0%

[1]Maturities of one year or longer, including convertible bonds.
[2]Interests in limited partnerships and other entities which have limited liquidity.
[3]Cash Equivalents includes other assets, less liabilities.

ANALYSIS OF INVESTMENT PERFORMANCE

	1995	1994	1993	1992	1991
Total Return* - Past 3 years		9.9%			
Total Return* - Past 5 years			9.8%		
Total Return* - year by year	14.0%	4.0%	12.1%	11.6%	7.0%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	4.7%	4.5%	4.7%	5.4%	5.2%
	Comparative rates of return on fixed income securities				
Total fixed income - ISBI	11.9%	1.6%	15.6%	17.1%	10.5%
Comparison index:					
Shearson Lehman Aggregate	12.6%	(1.3%)	11.8%	14.1%	10.7%
	Comparative rates of return on equities				
Domestic equities - ISBI	21.5%	5.5%	13.7%	15.2%	9.9%
Comparison index:					
S&P 500	26.1%	1.3%	13.6%	13.5%	7.4%

*Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

ADDITIONAL INVESTMENT INFORMATION

Gross investment income for 1995 of $2,226,117, less the Investment Board's administrative expenses of $136,101 resulted in net investment income of $2,090,016. This amount, when combined with the net realized gain on sale of investments of $965,272 provided net revenue from investments of $3,055,288. Net cash transfers from the Illinois State Board of Investment were $3,800,000 during FY 1995. The balance of investments at cost decreased by $744,712 from June 30, 1994 thru June 30, 1995. The following table shows a comparison of investment operations for FY 1995 and FY 1994.

	1995	1994	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Balance at beginning of year, at cost	$ 39,825,825	$ 38,094,187	$ 1,731,638	4.5%
Cash transferred from ISBI (net)	(3,800,000)	(1,700,000)	2,100,000	123.5%
Investment income:				
Commingled Fund income	$ 2,226,117	$ 2,125,052	$ 101,065	4.8%
Less Expenses	(136,101)	(125,388)	10,713	8.5%
Net investment income	$ 2,090,016	$ 1,999,664	$ 90,352	4.5%
Distributed Net Realized Gain on Sale of Investments	$ 965,272	$ 1,431,974	$ (466,702)	(32.6)%
Balance at end of year, at cost	$ 39,081,113	$ 39,825,825	$ (744,712)	(1.9)%
Market value	$ 46,076,753	$ 43,993,168	$ 2,083,585	4.7%

In addition, interest on the average balance in the System's account for FY 1995 was $100,367 compared to $44,665 during FY 1994, primarily due to significantly higher average balances and interest yields during FY 1995.

STATISTICAL SECTION

BALANCE SHEET ASSETS

Fiscal Year Ended June 30	Cash	Receivables	Investments at Cost	Fixed Assets Net of Accumulated Depreciation	Total
1986	$ 511,796	$ 34,252	$26,214,899	$ -	$ 26,760,947
1987	534,782	3,788	28,649,633	627	29,188,830
1988	494,346	19,628	29,620,883	14,596	30,149,453
1989	348,265	76,691	31,290,392	13,532	31,728,880
1990	913,283	14,447	32,549,302	17,723	33,494,755
1991	728,538	15,235	34,440,112	19,082	35,202,967
1992	1,079,624	5,026	36,627,373	16,163	37,728,186
1993	2,159,819	485,485	38,094,187	17,184	40,756,675
1994	1,177,781	3,191	39,825,825	12,120	41,018,917
1995	1,693,213	8,941	39,081,113	9,384	40,792,651

BALANCE SHEET LIABILITIES AND FUND BALANCE

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Automatic Annuity Increase	Reserve for Future Operations	Total
1986	$ 21,971	$ 5,373,363	$ 1,009,112	$ 20,356,501	$ 26,760,947
1987	47,954	5,555,017	859,800	22,726,059	29,188,830
1988	43,067	6,177,939	683,256	23,245,191	30,149,453
1989	51,374	6,748,268	460,664	24,468,574	31,728,880
1990	52,078	8,237,231	-	25,205,446	33,494,755
1991	60,874	8,959,880	-	26,182,213	35,202,967
1992	109,968	10,098,012	-	27,520,206	37,728,186
1993	82,985	10,263,855	-	30,409,835	40,756,675
1994	108,350	10,734,454	-	30,176,113	41,018,917
1995	95,049	11,059,576	-	29,638,026	40,792,651

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Income From Investments	Total
		State of Illinois	Other Sources	Total		
1986	$ 1,059,024	$ 2,216,200	$125,212	$ 2,341,412	$3,416,960	$ 6,817,396
1987	767,483	2,214,100	213	2,214,313	3,064,668	6,046,464
1988	796,393	1,970,000	-	1,970,000	1,933,098	4,699,491
1989	869,635	1,997,500	-	1,997,500	2,555,317	5,422,452
1990	1,002,258	2,072,600	74,401	2,147,001	2,665,883	5,815,142
1991	1,486,815	2,072,600	275,161	2,347,761	2,170,740	6,005,316
1992	1,375,885	1,965,600	105,410	2,071,010	3,976,419	7,423,314
1993	2,498,833	2,201,000	510,285	2,711,285	3,517,628	8,727,746
1994	1,011,354	2,116,800	-	2,116,800	3,476,303	6,604,457
1995	1,174,764	2,148,200	163,814	2,312,014	3,155,655	6,642,433

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds	Administrative Expenses	Total
1986	$3,200,212	$ 42,316	$ 86,763	$ 3,329,291
1987	3,461,212	80,202	103,150	3,644,564
1988	3,618,087	16,717	99,177	3,733,981
1989	3,682,411	55,660	113,261	3,851,332
1990	3,880,692	42,427	126,852	4,049,971
1991	4,124,250	36,742	144,908	4,305,900
1992	4,658,134	129,978	159,077	4,947,189
1993	5,314,381	154,283	203,610	5,672,274
1994	6,131,496	41,590	194,494	6,367,580
1995	6,539,921	117,386	198,091	6,855,398

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities *	Total
1986	$2,728,059	$ 472,153	$3,200,212
1987	2,913,799	547,413	3,461,212
1988	3,030,995	587,092	3,618,087
1989	3,046,455	635,956	3,682,411
1990	3,163,616	717,076	3,880,692
1991	3,302,545	821,705	4,124,250
1992	3,666,601	991,533	4,658,134
1993	4,241,273	1,073,108	5,314,381
1994	4,942,821	1,188,675	6,131,496
1995	5,203,413	1,336,508	6,539,921

*Includes Reversionary annuities.

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1986	192	81	273
1987	188	86	274
1988	185	83	268
1989	184	86	270
1990	188	81	269
1991	195	79	274
1992	190	77	267
1993	186	107	293
1994	184	101	285
1995	182	114	296

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1986	4	$36,171
1987	3	36,994
1988	-	-
1989	2	15,475
1990	1	21,890
1991	3	13,980
1992	-	-
1993	6	31,032
1994	4	13,064
1995	6	117,347

NUMBER OF RECURRING BENEFIT PAYMENTS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total
1986	199	120	3	322
1987	206	123	3	332
1988	198	123	3	324
1989	199	123	3	325
1990	196	121	3	320
1991	200	122	3	325
1992	204	128	3	335
1993	230	128	3	361
1994	222	131	3	356
1995	219	139	3	361

Annuitants by Benefit Range (Monthly) at June 30, 1995

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	37	37	16.9	16.9
501-1000	29	66	13.2	30.1
1001-1500	22	88	10.0	40.1
1501-2000	32	120	14.6	54.7
2001-2500	21	141	9.6	64.3
2501-3000	22	163	10.0	74.3
3001-3500	23	186	10.5	84.8
3501-4000	14	200	6.4	91.2
4001-4500	5	205	2.3	93.5
4501-5000	4	209	1.8	95.3
5001-5500	3	212	1.4	96.7
5501-6000	4	216	1.8	98.5
6001-6500	1	217	0.5	99.0
6501-7000	2	219	1.0	100.0

Survivors* by Benefit Range (Monthly) at June 30, 1995

Benefit Range	Total	Cumulative Toatal	% of Total	Cumulative % of Total
$ 1-500	69	69	48.6	48.6
501-1000	23	92	16.2	64.8
1001-1500	30	122	21.1	85.9
1501-2000	13	135	9.2	95.1
2001-2500	7	142	4.9	100.0

*includes reversionary annuities

NUMBER ON ACTIVE PAYROLLS

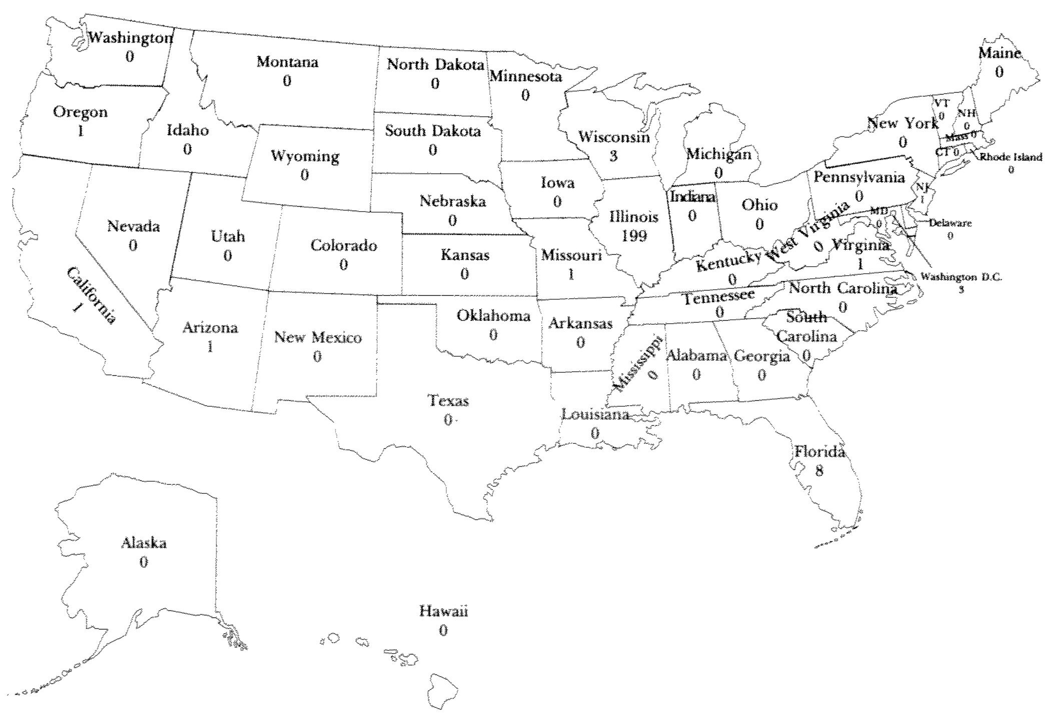
at June 30	Elected State Officers	House Members	Senate Members	Miscellaneous Active	Total
1986	6	116	59	11	192
1987	6	116	59	7	188
1988	6	116	59	4	185
1989	6	115	59	4	184
1990	6	118	59	5	188
1991	6	118	59	12	195
1992	6	118	59	7	190
1993	6	118	59	3	186
1994	6	118	59	2	185
1995	6	118	59	-	183

RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

	At Retirement			
Fiscal Year Ended June 30	Average Age	Average Length of Service *	Average Current Age	Average Current Monthly Benefit
1986	61.1	14.5	69.3	$1,152
1987	61.0	14.3	69.3	1,216
1988	60.6	14.2	69.5	1,252
1989	60.3	13.9	69.9	1,298
1990	60.1	13.5	70.3	1,359
1991	60.1	13.0	70.5	1,449
1992	60.0	12.7	70.5	1,526
1993	60.2	13.4	70.0	1,761
1994	59.9	13.2	70.2	1,880
1995	60.0	13.4	70.3	2,047

*** in years**

ACTIVE RETIREES BY STATE



SUMMARY OF RETIREMENT SYSTEM PLAN

(As of June 30, 1995)

1. PURPOSE

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials and their beneficiaries.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become members of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. PARTICIPANT CONTRIBUTIONS

Participants are required to contribute a percentage of salary as their share of meeting the cost of the various benefits at the rates shown below:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	11.5%

5. RETIREMENT ANNUITY

A. Qualification of Participant
Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least 8 years of credit or at age 62 with at least 4 years of credit.

B. Amount of Annuity
Effective January 1, 1982, the retirement annuity is determined according to the following formula based on the applicable salary:

3.0% for each of the first 4 years of credit;
3.5% for each of the next 2 years of credit;
4.0% for each of the next 2 years of credit;
4.5% for each of the next 4 years of credit;
5.0% for each year of service in excess of 12 years.

The maximum annuity is 85% of final rate of salary after 20 years of credit.

C. Optional Forms of Payment
Reversionary Annuity - A participant may elect to receive a reduced annuity during his or her lifetime in order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity
Post retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year next following the first anniversary of retirement and in January or July of each year thereafter. However, if the participant has not attained age 60 at that date, the payment of such annual increase shall be deferred until the first of the month following their 60th birthday. For participants who remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 next following the date upon which the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until (1) the January 1 or the July 1 next following the first anniversary of retirement, or (2) the first of the month following attainment of age 60, whichever occurs later.

E. Suspension of Retirement Annuity
An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

6. SURVIVORS' ANNUITY

A. Qualification of Survivor
If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 4 years of credit. To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children of the participant who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment
If the participant's death occurs while in service, the surviving spouse without eligible children of the member would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children of the participant would receive 30% of salary increased by 10% of salary for each minor child, subject to a maximum of 50% of salary to a family.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children of the participant would be eligible to 66-2/3% of earned retirement annuity. A surviving spouse with eligible children would receive 75% of earned retirement annuity unless the participant is survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be $300 per month.

C. Duration of Payment
When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age. A surviving spouse who remarries prior to attainment of age 55 would be disqualified for any future benefit payments.

D. Annual Increases in Survivors' Annuity
Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity. In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

7. DEATH BENEFITS

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement
If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement
If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

C. Death of Survivor Annuitant
Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. DISABILITY BENEFIT

A participant with at least 8 years of service who becomes disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. REFUND OF CONTRIBUTIONS

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

If unmarried at retirement, a participant is entitled to a full refund of contributions for the survivors' annuity benefit. The refund may be repaid, with required interest, to qualify a spouse for survivors' annuity benefits if the participant marries or remarries after retirement.

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 1995 having an impact on the System were:

SENATE BILL 533 (P.A. 88-0593)

There were several substantive changes to the law governing the operation of the System, as well as the State Finance Act, which were included in this bill. Among the most significant changes were the following:

1. Modifies the State Pensions Fund language to authorize the General Assembly to annually appropriate a total amount equal to the balance in the State Pensions Fund at the close of business on June 30 of the preceding fiscal year, less $5,000,000, as part of the required state contributions to the five state sponsored retirement systems beginning in fiscal year 1996. The amount of the appropriation to each of the five state sponsored retirement systems shall constitute a portion of the total appropriation for that fiscal year which is the same as that retirement system's portion of the total actuarial reserve deficiency of the systems, as most recently determined by the Bureau of the Budget.

2. Provides that a funding ratio (the ratio of a retirement system's total assets to its total actuarial liabilities) of 90% is an appropriate goal for state-funded retirement systems in Illinois. Also provides that every 5 years, beginning in 1999, the Illinois Economic and Fiscal Commission, in conjunction with the affected retirement systems and the Bureau of the Budget, shall consider and determine whether the 90% funding ratio continues to represent an appropriate goal for state-funded retirement systems in Illinois, and it shall report its findings and recommendations to the Governor and the General Assembly.

3. Establishes a new funding policy under which, starting with fiscal year 1996, the employer contributions made by the State of Illinois shall be increased incrementally over a 15 year period so that by fiscal year 2011, the minimum state employer contribution shall be an amount that is sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System over 35 years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

4. Requires that the System's Board certify to the Governor the amount of the required state contribution for the next fiscal year on or before November 15 of each year. Also requires that the certification include a copy of the actuarial recommendations upon which it is based.

5. Beginning in fiscal year 1996, provides for a continuing appropriation authority whereby the amount, by which the total available amount of all available appropriations to the System for the payment of state contributions is less than the total amount of required state contributions, is appropriated from the General Revenue Fund to the System on a continuing basis.

6. Provides that the maximum salary level that can be utilized to compute System benefits payable under the provisions of the Reciprocal Act will be limited to the legislative salary payable at retirement based on the position held at the time the member left the General Assembly. This provision only applies to persons who become members of the System after the effective date of the legislation and only applies to benefits calculated under the provisions of the Reciprocal Act.

SENATE BILL 424 (P.A. 89-0113)

This bill reestablished the Pension Laws Commission as a legislative service support agency. The Pension Laws Commission shall consist of sixteen members of which eight shall be members of the General Assembly-two members shall be appointed by the President of the Senate; two shall be appointed by the Minority Leader of the Senate; two shall be appointed by the Speaker of the House of Representatives and two shall be appointed by the Minority Leader of the House of Representatives; and eight public members with knowledge of privately funded and operated pension plans.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 1995, affecting the operation of the System were:

SENATE BILL 114 (P.A. 89-0136)

There were several substantive changes to the Pension Code, as well as the State Finance Act, which were included in this bill. The provision of the bill which affects the operation of the System is as follows:

1. Amends the System's survivors annuity provisions by changing the number of years required for an inactive participant's spouse to qualify for a survivor's annuity from eight to four years.